

CITY OF COOPERSVILLE, MICHIGAN

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2004

KIEKOVER, SCHOLMA & SHUMAKER, PC
Certified Public Accountants
Zeeland, Michigan

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Coopersville	County Ottawa
Audit Date 6/30/04	Opinion Date 8/25/04	Date Accountant Report Submitted to State: 12/20/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Kiekoover, Scholma, & Shumaker, PC			
Street Address 205 East Main Street		City Zeeland	State MI
Accountant Signature <i>Kiekoover, Scholma & Shumaker, PC</i>		ZIP 49464	
		Date 12/20/04	

City of Coopersville, Michigan
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2004

TABLE OF CONTENTS

FINANCIAL SECTION	Page
Independent Auditor's Report	I
Management's Discussion and Analysis	II
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets.....	1
Statement of Activities	2
Governmental Fund Financial Statements	
Balance Sheet	3
Statement of Revenue, Expenditures and Changes in Fund Balances.....	4
Reconciliation of the Statement of Revenue, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	5
Proprietary Fund Financial Statements	
Statement of Net Assets.....	6
Statement of Revenue, Expenses and Changes in Net Assets	7
Statement of Cash Flows	8
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	9
Notes to Financial Statements	10

City of Coopersville, Michigan
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2004

TABLE OF CONTENTS - Concluded

	Page
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund.....	23
Budgetary Comparison Schedule – Major Street Fund	24
Budgetary Comparison Schedule – Local Street Fund	25
Note to Required Supplementary Information.....	26
Supplemental Data	
Combining Balance Sheet – Nonmajor Governmental Funds	27
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	28
Discretely Presented Component Unit – Downtown Development Authority	
Combining Balance Sheet	29
Combining Statement of Revenue, Expenditures and Changes in Fund Balance.....	30

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

August 25, 2004

Honorable City Council
City of Coopersville
Ottawa County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Coopersville, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Coopersville, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Coopersville, Michigan, as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4D, the city has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003.

The management's discussion and analysis and budgetary comparison information on pages II through XI and 23 through 26, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coopersville, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kiekover, Scholma & Shumaker, PC

Management's Discussion and Analysis

As management of the City of Coopersville Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with the City's financial statements that follow this section.

Financial Highlights

- The assets of the City of Coopersville exceeded its liabilities at the close of the most recent fiscal year by \$5,912,386 (*net assets*). Of this amount, \$1,838,433 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$322,167. Approximately 46% of this increase (\$148,571) is attributable to additional investment in capital assets.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$898,491, an increase of \$222,346 in comparison with the prior year. Approximately 98% of this total amount, \$876,763 is *available for spending* at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$578,870 or 30% of total general fund expenditures and transfers out.
- The City's total debt decreased by \$348,268 (10%) during the current fiscal year. This is the result of the City making its required scheduled debt service payments while incurring no new debt during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Coopersville is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued interest payable).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activities of the City include water supply and sewage disposal operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also its component unit. The Coopersville Downtown Development Authority, an entity legally separate from the City, is governed by a twelve-member board appointed by the City Council. The Authority is fiscally dependent on the City because tax rates for the Downtown Development Authority district and bonded debt must be approved by the City Council.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories, governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains thirteen (13) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Major Street, and Local Street Funds. Each of these funds is considered to be a major fund. The City of Coopersville has ten (10) nonmajor funds. These include special revenue funds, debt service funds, and one permanent fund. The permanent fund is used to record the activity of the Cemetery Trust. Data from the other ten governmental funds are combined into a single aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General, Major Streets and Local Streets Funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 3-5 of this report.

Proprietary funds. The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water supply and sewage disposal operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for the rental of machinery, equipment, and vehicles to other departments, and related costs. Because these services predominantly benefit governmental rather than business-type functions, the assets and liabilities of the internal service fund have been included within *governmental activities* in the government-wide statement of net assets.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Supply System and Sewage Disposal System Funds, both of which are considered to be major funds of the City. The proprietary fund financial statements also provide separate information for the internal service fund.

The basic proprietary fund financial statements can be found on pages 6-8 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for the proprietary funds. The City accounts for one type of fiduciary funds – agency funds.

The City maintains two agency funds to account for tax collections and the Meadow Green Escrow account.

The basic fiduciary fund financial statements can be found on page 9 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-22 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* presenting the City of Coopersville's budgetary comparison schedules for its three major funds – General Fund, Major Street Fund and Local Street Fund. Required supplementary information can be found on pages 23-26 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements for the discretely presented component unit are also presented immediately following the required supplementary information. Combining statements can be found on pages 27-28 of this report.

Government-wide Financial Analysis

Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Coopersville, assets exceeded liabilities by \$5,912,386 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (67%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (2.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$1,838,433) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Since this is the first year the City has presented government-wide financial statements, comparisons to the prior year have not been presented. In future years, when prior year information is available, a comparative analysis of government-wide data will be included.

City of Coopersville's Net Assets

	Governmental	Business-Type	
	Activities	Activities	Total
	2004	2004	2004
Current and other assets	\$ 1,057,666	\$ 1,003,560	\$ 2,061,226
Capital assets	1,702,762	5,411,064	7,113,826
Total assets	2,760,428	6,414,624	9,175,052
Long-term debt outstanding	1,028,391	2,115,000	3,143,391
Other liabilities	48,603	70,672	119,275
Total liabilities	1,076,994	2,185,672	3,262,666
Net assets:			
Invested in capital assets, net of related debt	674,371	3,296,064	3,970,435
Restricted	21,728	81,790	103,518
Unrestricted	987,335	851,098	1,838,433
Total net assets	\$ 1,683,434	\$ 4,228,952	\$ 5,912,386

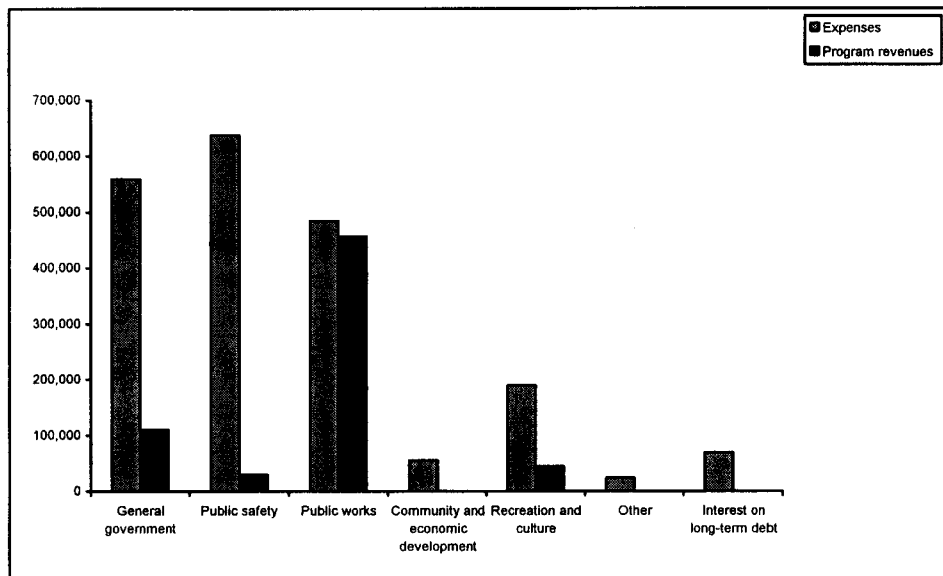
Change in Net Assets - The City of Coopersville's net assets increased by \$322,167 during the current fiscal year. This increase is caused by a \$385,306 increase in net assets of governmental activities and a \$63,139 decrease in net assets of business-type activities.

City of Coopersville's Changes in Net Assets

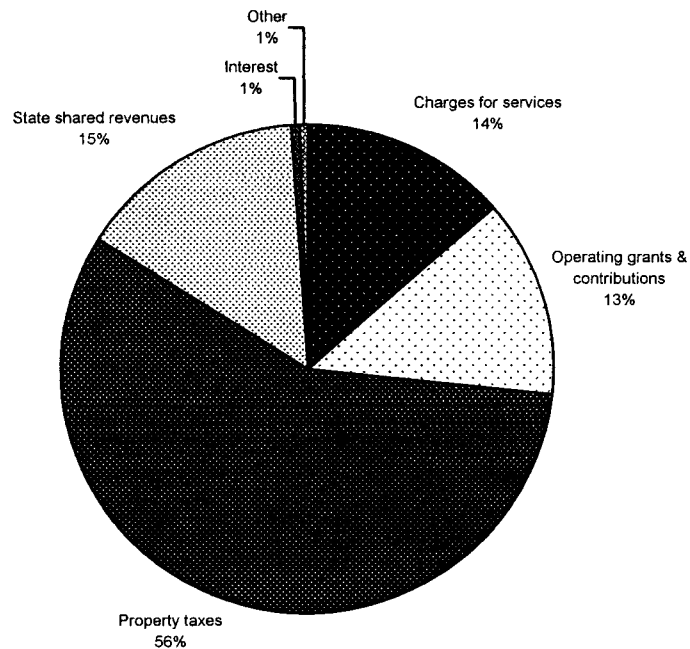
	Governmental Activities	Business-Type Activities	Total
	2004	2004	2004
Program revenues			
Charges for services	\$ 330,312	\$ 938,713	\$ 1,269,025
Operating grants and contributions	311,271	-	311,271
General revenues			
Property taxes	1,374,708	59,948	1,434,656
State shared revenues	358,684	-	358,684
Interest	15,585	8,931	24,516
Other	13,386	21,211	34,597
Total revenues	<u>2,403,946</u>	<u>1,028,803</u>	<u>3,432,749</u>
Program expenses			
General government	558,693	-	558,693
Public safety	637,308	-	637,308
Public works	484,904	-	484,904
Community and economic development	55,597	-	55,597
Recreation and culture	189,370	-	189,370
Other	23,949	-	23,949
Interest on long-term debt	68,819	-	68,819
Water supply	-	639,397	639,397
Sewage disposal	-	452,545	452,545
Total expenses	<u>2,018,640</u>	<u>1,091,942</u>	<u>3,110,582</u>
Change in Net Assets	<u>\$ 385,306</u>	<u>\$ (63,139)</u>	<u>\$ 322,167</u>

Governmental activities. Governmental activities increased the City's net assets by \$385,306 accounting for 120% of the total growth in the net assets of the City. Property taxes increased by \$113,082 (9%) from the prior year. This increase was the result of increased taxable values that allowed the City of Coopersville to increase its property tax revenues even after a reduction in its tax rate of .1424 mills.

Expenses and Program Revenues – Governmental Activities

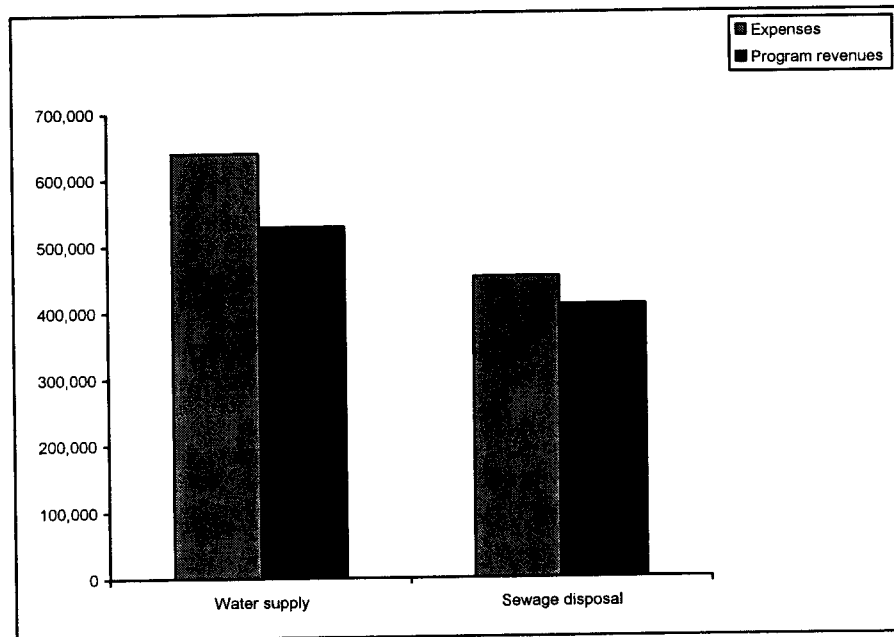


Revenues by Source – Governmental Activities

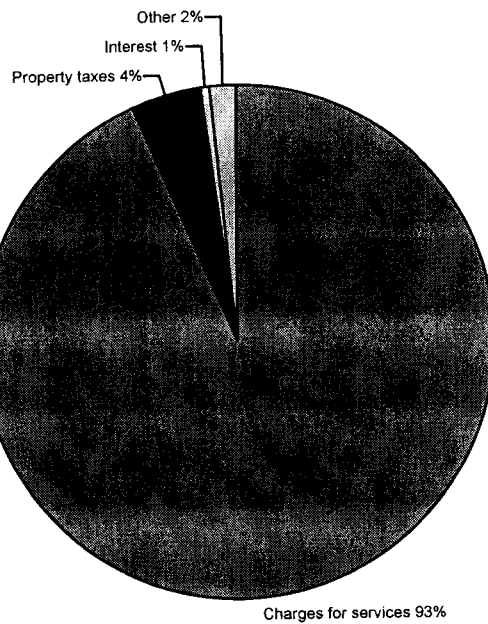


Business-type activities. Business-type activities decreased the City of Coopersville's net assets by \$63,139 (-20%). Operating revenues decreased by \$11,704 due mostly to a decrease in water and sewage disposal sales. Operating expenses increased by \$22,856 from the prior year, mainly due to increases in sewage disposal costs.

Expenses and Program Revenues-Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$898,491, an increase of \$222,346 from the prior year. Approximately 98% of this amount (\$876,763) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for the maintenance of the City of Coopersville's cemetery (\$6,000 non-expendable) and for required debt service (\$15,728).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year fund balance of the General Fund was \$578,870, all of which was unreserved. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance (\$578,870) represents 30% of total General Fund expenditures and transfers out (\$1,961,108).

The fund balance of the City's General Fund increased by \$53,036 during the current fiscal year. Total revenue sources increased by \$122,652 or 6.5%. Property taxes increased by \$113,082 or 9.0%. State shared revenues decreased by \$16,520 or 4.3%. General Fund expenditures increased by \$26,201 or 1.8%, while transfers out to other funds increased by \$103,216 or 30.5%.

The Major Street Fund has a total fund balance of \$70,570, an increase of \$32,520 during the year. Total revenues increase by \$18,292 due mainly to the increase in state shared revenues of \$14,768. Transfers from the General Fund increased by approximately \$19,000 compared to the prior year. Major Street Fund expenditures increased by \$12,705 compared to the prior year.

The Local Street Fund has a fund balance of \$35,179, an increase of \$19,691 during the year. Total revenue increased by \$4,024, and transfers in increased by \$4,692 from the prior year. Expenditures decreased by \$4,692 from the prior year. General maintenance costs decreased by \$22,294 from the prior year, and construction costs increased by \$22,055 due to costs for 64th Street and Main Street construction.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements (business-type activities), but in more detail.

Unrestricted net assets of the Water Supply System and Sewage Disposal System Funds at the end of the year amounted to \$425,790 and \$387,645, respectively. Decreases in the Water Supply System and Sewage Disposal System Funds' net assets during the current year were \$28,414 and \$33,245, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the budget to take into account events during the year. The most significant change was to increase estimated park expenditures. City operational departments also stayed below budget overall, resulting in total expenditures \$150,879 below the final budget. This allowed the General Fund's fund balance to increase from \$525,834 a year ago to \$578,870 at June 30, 2004.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounted to \$7,113,826 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, and street and sidewalks. The total decrease in the City's investment in capital assets for the current fiscal year was \$89,159 (5.0%) for governmental activities and \$260,301 (4.6%) for business-type activities.

Major capital asset events during the current fiscal year included the following:

- \$32,600 expended for city hall roof replacement
- \$61,243 expended for construction of a multi-purpose skating rink
- \$49,547 expended for road improvements at 64th Street and Main Street
- \$9,172 for purchases of new computer equipment

Additional information on the City's capital assets can be found in note 3C on pages 17-18 of this report.

City of Coopersville's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 130,051	\$ 130,051	\$ 47,250	\$ 47,250	\$ 177,301	\$ 177,301
Construction in progress	-	3,990	-	-	-	3,990
Land improvements	358,756	439,372	-	-	358,756	439,372
Buildings and improvements	877,489	816,718	30,616	32,690	908,105	849,408
Systems	-	-	5,332,653	5,590,175	5,332,653	5,590,175
Machinery, equipment, vehicles	286,919	401,790	545	1,250	287,464	403,040
Infrastructure	49,547	-	-	-	49,547	-
Total	<u>\$ 1,702,762</u>	<u>\$ 1,791,921</u>	<u>\$ 5,411,064</u>	<u>\$ 5,671,365</u>	<u>\$ 7,113,826</u>	<u>\$ 7,463,286</u>

Long-term debt. At the end of the current fiscal year, the City had total installment debt outstanding of \$3,143,391. Of this amount, \$1,028,391 is general obligation debt and \$2,115,000 is paid from specified revenue sources.

City of Coopersville's Outstanding Debt
General Obligation and Revenue Bonds and Notes Payable

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$ 460,000	\$ 590,000	\$ -	\$ -	\$ 460,000	\$ 590,000
Michigan transportation bonds	400,000	460,000	-	-	400,000	460,000
Revenue bonds	-	-	745,000	785,000	745,000	785,000
County contractual obligation	-	-	780,000	805,000	780,000	805,000
Michigan Municipal Bond Authority bonds	-	-	590,000	620,000	590,000	620,000
Notes payable	168,391	231,659	-	-	168,391	231,659
Total	<u>\$ 1,028,391</u>	<u>\$ 1,281,659</u>	<u>\$ 2,115,000</u>	<u>\$ 2,210,000</u>	<u>\$ 3,143,391</u>	<u>\$ 3,491,659</u>

Total outstanding debt decreased by \$348,268 during the current year. This was a result of the City making its required scheduled debt payments of \$348,268 while incurring no new debt.

Additional information on the City's long-term debt can be found in Note 3E on pages 19-20 of this report.

Economic Factors and Next Year's Budgets and Rates

The City's budget for 2004-05 calls for a slight decrease in the overall property tax rate from 14.4101 mills to 14.1918 mills. This can be accomplished because of the stable tax base and, although the overall property tax rate decreased slightly, the decrease is directly tied to the decrease in required payments for water supply and sewage disposal debt service. Because of the impact of Proposal A, however, the City needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow less than by inflation, before considering new property additions.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, P.O. Box 135, Coopersville, MI 49404.

**Basic
Financial Statements**

City of Coopersville
STATEMENT OF NET ASSETS
June 30, 2004

	Governmental Activities	Business Type Activities	Total	Component Unit
ASSETS				
Cash and investments	\$ 998,779	\$ 695,036	\$ 1,693,815	\$ 43,809
Receivables:				
Accounts	-	159,236	159,236	83
Special assessments	3,274	29,835	33,109	-
Due from component unit	2,607	-	2,607	-
Due from other governments	89,669	-	89,669	-
Internal balances	(37,663)	37,663	-	-
Prepaid items	1,000	-	1,000	-
Restricted cash-revenue bond covenant accounts	-	81,790	81,790	-
Capital assets	<u>1,702,762</u>	<u>5,411,064</u>	<u>7,113,826</u>	<u>-</u>
Total Assets	<u>2,760,428</u>	<u>6,414,624</u>	<u>9,175,052</u>	<u>43,892</u>
LIABILITIES				
Accounts payable	42,618	25,660	68,278	190
Accrued interest payable	5,985	15,177	21,162	14,196
Due to city	-	-	-	2,607
Deferred revenue	-	29,835	29,835	83
Noncurrent liabilities:				
Due within one year	256,294	100,000	356,294	355,000
Due in more than one year	<u>772,097</u>	<u>2,015,000</u>	<u>2,787,097</u>	<u>1,185,000</u>
Total Liabilities	<u>1,076,994</u>	<u>2,185,672</u>	<u>3,262,666</u>	<u>1,557,076</u>
NET ASSETS				
Invested in capital assets, net of related debt	674,371	3,296,064	3,970,435	(1,540,000)
Restricted for:				
Debt service	15,728	81,790	97,518	14,504
Perpetual care-nonexpendable	6,000	-	6,000	-
Unrestricted	<u>987,335</u>	<u>851,098</u>	<u>1,838,433</u>	<u>12,312</u>
Total Net Assets (Deficit)	<u>\$ 1,683,434</u>	<u>\$ 4,228,952</u>	<u>\$ 5,912,386</u>	<u>\$ (1,513,184)</u>

City of Coopersville
STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Function/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 558,693	\$ 108,862	\$ 1,500	\$ -
Public safety	637,308	29,780	-	-
Public works	484,904	149,801	306,826	-
Community and economic development	55,597	-	-	-
Recreation and culture	189,370	41,869	2,945	-
Other	23,949	-	-	-
Interest on long-term debt	68,819	-	-	-
Total Governmental Activities	<u>2,018,640</u>	<u>330,312</u>	<u>311,271</u>	<u>-</u>
Business-type activities:				
Water supply	639,397	528,859	-	-
Sewage disposal	452,545	409,854	-	-
Total Business-type Activities	<u>1,091,942</u>	<u>938,713</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 3,110,582</u>	<u>\$ 1,269,025</u>	<u>\$ 311,271</u>	<u>\$ -</u>
Component Unit:				
Downtown Development Authority	<u>\$ 217,141</u>	<u>\$ 11,236</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Property taxes
State shared revenues
Interest
Other

Total General Revenues

Change in Net Assets

Net Assets (Deficit) - Beginning

Net Assets (Deficit) - Ending

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
\$ (448,331)	\$ -	\$ (448,331)	\$ -
(607,528)	-	(607,528)	-
(28,277)	-	(28,277)	-
(55,597)	-	(55,597)	-
(144,556)	-	(144,556)	-
(23,949)	-	(23,949)	-
(68,819)	-	(68,819)	-
<u>(1,377,057)</u>	<u>-</u>	<u>(1,377,057)</u>	<u>-</u>
-	(110,538)	(110,538)	-
<u>-</u>	<u>(42,691)</u>	<u>(42,691)</u>	<u>-</u>
<u>-</u>	<u>(153,229)</u>	<u>(153,229)</u>	<u>-</u>
<u>(1,377,057)</u>	<u>(153,229)</u>	<u>(1,530,286)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(205,905)</u>
1,374,708	59,948	1,434,656	556,390
358,684	-	358,684	-
15,585	8,931	24,516	2,029
<u>13,386</u>	<u>21,211</u>	<u>34,597</u>	<u>2,822</u>
<u>1,762,363</u>	<u>90,090</u>	<u>1,852,453</u>	<u>355,336</u>
385,306	(63,139)	322,167	355,336
<u>1,298,128</u>	<u>4,292,091</u>	<u>5,590,219</u>	<u>(1,868,520)</u>
<u>\$ 1,683,434</u>	<u>\$ 4,228,952</u>	<u>\$ 5,912,386</u>	<u>\$ (1,513,184)</u>

City of Coopersville
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	General	Major Street	Local Street	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 613,681	\$ 57,321	\$ 24,837	\$ 216,991	\$ 912,830
Receivables:					
Special assessments	-	3,274	-	-	3,274
Due from component unit	2,607	-	-	-	2,607
Due from other governments	-	13,674	11,172	-	24,846
Total Assets	<u>\$ 616,288</u>	<u>\$ 74,269</u>	<u>\$ 36,009</u>	<u>\$ 216,991</u>	<u>\$ 943,557</u>
LIABILITIES					
Accounts payable	\$ 37,418	\$ 425	\$ 830	\$ 3,119	\$ 41,792
Deferred revenue	-	3,274	-	-	3,274
Total Liabilities	<u>37,418</u>	<u>3,699</u>	<u>830</u>	<u>3,119</u>	<u>45,066</u>
FUND BALANCES					
Reserved:					
Debt service	-	-	-	15,728	15,728
Perpetual care-nonexpendable	-	-	-	6,000	6,000
Unreserved-reported in:					
General Fund					
Designated for 68th Street overpass	53,000	-	-	-	53,000
Designated for multi-purpose rink	60,000	-	-	-	60,000
Undesignated	465,870	-	-	-	465,870
Special Revenue Funds	-	70,570	35,179	192,144	297,893
Total Fund Balances	<u>578,870</u>	<u>70,570</u>	<u>35,179</u>	<u>213,872</u>	<u>898,491</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 616,288</u>	<u>\$ 74,269</u>	<u>\$ 36,009</u>	<u>\$ 216,991</u>	

Amount reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
General capital assets	1,455,581
Infrastructure assets	49,547
State shared revenues (sales taxes) collected and held by the State at year end are not considered available to pay for current year expenditures	64,823
Special assessments receivable are expected to be collected over several years and are not available to pay for current year expenditures	3,274
Interest accrued on outstanding notes payable is not reported in the funds	(5,985)
Long term liabilities are not due and payable in the current period and are not reported in the funds	(860,000)
Internal Service Funds are included as part of governmental activities	77,703
Net Assets of Governmental Activities	<u>\$ 1,683,434</u>

City of Coopersville
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Major Street	Local Street	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 1,374,707	\$ -	\$ -	\$ -	\$ 1,374,707
Licenses and permits	61,188	-	-	-	61,188
State shared revenues	371,508	205,779	74,572	-	651,859
Local unit contributions	-	-	-	64,000	64,000
Charges for services	158,842	-	-	16,102	174,944
Fines and forfeits	12,825	-	-	-	12,825
Interest and rent	13,232	473	46	1,247	14,998
Other	19,842	6,441	7,200	29,420	62,903
Total Revenues	<u>2,012,144</u>	<u>212,693</u>	<u>81,818</u>	<u>110,769</u>	<u>2,417,424</u>
Expenditures:					
Current:					
General government	459,082	-	-	33,997	493,079
Public safety	613,413	-	-	-	613,413
Public works	133,330	142,591	153,572	92,365	521,858
Community and economic development	55,597	-	-	-	55,597
Recreation and culture	234,633	-	-	3,523	238,156
Other	23,949	-	-	-	23,949
Debt service:					
Principal retirement	-	-	-	190,000	190,000
Interest and fiscal charges	-	-	-	61,026	61,026
Total Expenditures	<u>1,520,004</u>	<u>142,591</u>	<u>153,572</u>	<u>380,911</u>	<u>2,197,078</u>
Excess of Revenues Over (Under) Expenditures	<u>492,140</u>	<u>70,102</u>	<u>(71,754)</u>	<u>(270,142)</u>	<u>220,346</u>
Other Financing Sources:					
Operating transfers in	2,000	96,061	91,445	387,241	576,747
Operating transfers out	(441,104)	(133,643)	-	-	(574,747)
Total Other Financing Sources (Uses)	<u>(439,104)</u>	<u>(37,582)</u>	<u>91,445</u>	<u>387,241</u>	<u>2,000</u>
Net Change in Fund Balances	53,036	32,520	19,691	117,099	222,346
Fund Balances - July 1	<u>525,834</u>	<u>38,050</u>	<u>15,488</u>	<u>96,773</u>	<u>676,145</u>
Fund Balances - June 30	<u>\$ 578,870</u>	<u>\$ 70,570</u>	<u>\$ 35,179</u>	<u>\$ 213,872</u>	<u>\$ 898,491</u>

See Notes to Financial Statements

City of Coopersville
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Net change in fund balances-Total Governmental Funds \$ 222,346

Amounts reported for the governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Current year capital outlays capitalized - general capital assets	99,024
Current year capital outlays capitalized - infrastructure capital assets	49,547
Current year depreciation expense on capitalized assets	(149,286)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds until collected or collectible within 60 days of year end

State shared revenues	(12,823)
Special assessment revenues	(1,642)

Repayments of bonds and notes payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

190,000

In the statement of activities, interest is accrued on outstanding notes payable, whereas in governmental funds, an interest expenditure is reported when due

1,448

An internal service fund is used by management to charge the costs of certain activities, such as equipment rental, to individual funds. A portion of the net revenue (expenses) of the internal service fund is reported with governmental activities

(13,308)

Change in net assets of governmental activities

\$ 385,306

City of Coopersville
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004

	Enterprise Funds			Internal Service Fund
	Water Supply System	Sewage Disposal System	Total	Equipment Fund
ASSETS				
Current Assets:				
Cash and investments	\$ 372,631	\$ 322,405	\$ 695,036	\$ 85,949
Receivables:				
Accounts	85,587	73,649	159,236	-
Special assessments	19,874	9,961	29,835	-
Prepaid items	-	-	-	1,000
Total Current Assets	478,092	406,015	884,107	86,949
Noncurrent Assets:				
Revenue bond covenant accounts	-	81,790	81,790	-
Capital assets	2,232,671	3,178,393	5,411,064	197,634
Total Noncurrent Assets	2,232,671	3,260,183	5,492,854	197,634
Total Assets	<u>\$ 2,710,763</u>	<u>\$ 3,666,198</u>	<u>\$ 6,376,961</u>	<u>\$ 284,583</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 25,490	\$ 170	\$ 25,660	\$ 826
Accrued liabilities	6,938	8,239	15,177	-
Current portion of long-term debt	60,000	40,000	100,000	56,294
Total Current Liabilities	92,428	48,409	140,837	57,120
Noncurrent Liabilities:				
Deferred revenue	19,874	9,961	29,835	-
Long-term debt	1,310,000	705,000	2,015,000	112,097
Total Noncurrent Liabilities	1,329,874	714,961	2,044,835	112,097
Total Liabilities	<u>1,422,302</u>	<u>763,370</u>	<u>2,185,672</u>	<u>169,217</u>
NET ASSETS				
Invested in capital assets, net of related debt	862,671	2,433,393	3,296,064	29,243
Restricted for debt service-nonexpendable	-	81,790	81,790	-
Unrestricted	425,790	387,645	813,435	86,123
Total Net Assets	<u>\$ 1,288,461</u>	<u>\$ 2,902,828</u>	<u>4,191,289</u>	<u>\$ 115,366</u>
Adjustment to reflect the consolidation of internal service funds activities to enterprise funds			37,663	
Net assets of business-type activities			<u>\$ 4,228,952</u>	

City of Coopersville
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	Enterprise Funds			Internal Service Fund
	Water Supply System	Sewage Disposal System	Total	Equipment Fund
Operating Revenues:				
Water sales	\$ 458,573	\$ -	\$ 458,573	\$ -
Sewage disposal service	-	361,263	361,263	-
Charges for services	-	-	-	175,139
Fees	18,592	1,080	19,672	-
Total Operating Revenues	<u>477,165</u>	<u>362,343</u>	<u>839,508</u>	<u>175,139</u>
Operating Expenses:				
Personal services	109,300	107,517	216,817	33,058
Supplies	12,006	26,665	38,671	17,532
Water purchases	275,085	-	275,085	-
Professional and contractual services	75,000	130,772	205,772	40,639
Depreciation	112,432	147,869	260,301	88,444
Total Operating Expenses	<u>583,823</u>	<u>412,823</u>	<u>996,646</u>	<u>179,673</u>
Operating Income (Loss)	<u>(106,658)</u>	<u>(50,480)</u>	<u>(157,138)</u>	<u>(4,534)</u>
Nonoperating Revenues (Expenses)				
Hook-ups	51,694	47,511	99,205	-
Property taxes	59,948	-	59,948	-
Special assessments	4,837	4,395	9,232	-
Interest income	4,619	4,312	8,931	987
Other	11,979	-	11,979	-
Interest and fiscal charges	(54,833)	(38,983)	(93,816)	(9,241)
Total Nonoperating Revenues (Expenses)	<u>78,244</u>	<u>17,235</u>	<u>95,479</u>	<u>(8,254)</u>
Income (Loss) Before Contributions and Transfers	(28,414)	(33,245)	(61,659)	(12,788)
Transfers out	-	-	-	(2,000)
Change in Net Assets	(28,414)	(33,245)	(61,659)	(14,788)
Net Assets - July 1	<u>1,316,875</u>	<u>2,936,073</u>		<u>130,154</u>
Net Assets - June 30	<u>\$ 1,288,461</u>	<u>\$ 2,902,828</u>		<u>\$ 115,366</u>
Adjustment to reflect the consolidation of internal service funds activities to enterprise funds			(1,480)	
Change in net assets of business-type activities			<u>\$ (63,139)</u>	

See Notes to Financial Statements

City of Coopersville
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	Enterprise Funds			Internal Service Fund
	Water Supply System	Sewage Disposal System	Total	Equipment Fund
Cash Flows From Operating Activities:				
Receipts from customers	\$ 496,429	\$ 368,390	\$ 864,819	\$ -
Receipts from interfund services provided	-	-	-	175,139
Payments to suppliers	(346,391)	(155,708)	(502,099)	(67,429)
Payments to employees	(88,177)	(86,063)	(174,240)	(23,752)
Payments for interfund services used	(28,695)	(27,619)	(56,314)	-
Net Cash Provided By Operating Activities	<u>33,166</u>	<u>99,000</u>	<u>132,166</u>	<u>83,958</u>
Cash Flows From Noncapital Financing Activities:				
Other nonoperating revenues	68,510	51,906	120,416	-
Transfers from (to) other funds	-	-	-	(2,000)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>68,510</u>	<u>51,906</u>	<u>120,416</u>	<u>(2,000)</u>
Cash Flows From Capital and Related Financing Activities:				
Principal paid on capital debt	(55,000)	(40,000)	(95,000)	(63,268)
Interest paid on capital debt	(54,833)	(38,983)	(93,816)	(9,241)
Property taxes	59,948	-	59,948	-
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(49,885)</u>	<u>(78,983)</u>	<u>(128,868)</u>	<u>(72,509)</u>
Cash Flows From Investing Activities:				
Interest received on investments	<u>4,619</u>	<u>4,312</u>	<u>8,931</u>	<u>987</u>
Net Increase in Cash and Investments	56,410	76,235	132,645	10,436
Cash and Investments - July 1	<u>316,221</u>	<u>327,960</u>	<u>644,181</u>	<u>75,513</u>
Cash and Investments - June 30	<u>\$ 372,631</u>	<u>\$ 404,195</u>	<u>\$ 776,826</u>	<u>\$ 85,949</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:				
Operating income (loss)	\$ (106,658)	\$ (50,480)	\$ (157,138)	\$ (4,534)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	112,432	147,869	260,301	88,444
Change in assets and liabilities:				
Receivables	24,100	10,442	34,542	-
Accounts payable	8,419	(4,101)	4,318	48
Accrued and other liabilities	(291)	(335)	(626)	-
Deferred revenue	(4,836)	(4,395)	(9,231)	-
Net Cash Provided By Operating Activities	<u>\$ 33,166</u>	<u>\$ 99,000</u>	<u>\$ 132,166</u>	<u>\$ 83,958</u>
Cash and investments:				
Cash and investments	\$ 372,631	\$ 322,405	\$ 695,036	\$ 85,949
Revenue bond covenant accounts	-	81,790	81,790	-
	<u>\$ 372,631</u>	<u>\$ 404,195</u>	<u>\$ 776,826</u>	<u>\$ 85,949</u>

See Notes to Financial Statements

City of Coopersville
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2004

	<u>Agency Funds</u>
ASSETS	
Cash and investments	<u>\$ 17,820</u>
LIABILITIES	
Due to other units	<u>\$ 17,820</u>

See Notes to Financial Statements

City of Coopersville, Michigan
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Coopersville conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Coopersville:

A. Reporting Entity

The City of Coopersville is governed by an elected mayor and six-member council. The accompanying financial statements present the city and its component units, entities for which the city is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the city's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Blended Component Unit. The city has no blended component units.

Discretely Presented Component Unit. The Coopersville Downtown Development Authority (DDA) was created to finance improvements within the authority's district of the City. The Authority's twelve member governing board is appointed by the City Council. In addition, the Authority's budget, tax rates and bonded debt are subject to approval by the City Council. The DDA has issued debt, currently receives captured tax increment revenues, and makes debt services payments on \$1,540,000 of outstanding bonds.

Separate financial statements for the Downtown Development Authority are not prepared. The Authority's financial activity is as reflected in these accompanying financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes (state shared revenues) collected and held by the State at year end on behalf of the city and paid to the city at the end of the following August are recognized as revenue in the year received. Such amounts are not normally received within 60 days of the end of the current fiscal year and are budgeted for use by the city in the year received. Other revenue is recorded when received.

The city reports the following major governmental funds:

General Fund - The General Fund is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major and Local Street Funds - The Major Street and Local Street Funds account for the resources of state gas and weight taxes that are restricted for use on major and local streets. They also account for monies received from special taxes levied for street improvement purposes and for monies received from General Fund contributions.

The city reports the following major proprietary funds:

Water Supply System Fund - This fund is used to account for the operation and maintenance of a water distribution system, including storage tanks, pumping stations, distribution mains and services and related equipment. Water is purchased from the City of Grand Rapids for storage and distribution to Coopersville's customers.

Sewage Disposal System Fund - This fund is used to account for the operation and maintenance of a wastewater collection system, lift stations and treatment facility.

Additionally, the city reports the following fund types:

Governmental Funds

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

Debt Service Funds - Debt Service Funds account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Permanent Fund - The Permanent Fund is used to record the activity of the Cemetery Trust which provides funds for the perpetual care of cemetery lots.

Proprietary Funds

Internal Service Fund – The Internal Service Fund accounts for the rental of machinery, equipment, and vehicles to other departments, and related costs.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds - Agency Funds account for assets held by the city in a purely custodial capacity. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The city has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of the inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's water and sewer functions and various other functions of the city. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewage disposal systems fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. *Bank Deposits and Investments.*

The City maintains separate cash accounts for each of its various funds as well maintaining a pooled cash account to facilitate the management of cash.

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

The City's investment policies are governed by state statutes, formal board policy, and administrative procedures. Permissible investments include obligations of the U.S. Treasury and its agencies, Michigan financial institution certificates of deposits and accounts, commercial paper with prescribed ratings, U.S. government repurchase agreements, and mutual funds and investment pools consisting of any of the above. Attorney General's Opinion No. 6168 states that public funds may not be deposited in institutions located in states other than Michigan. The City's deposits are in accordance with statutory authority.

Investments are recorded at fair value.

2. *Receivables and Payables.*

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The property tax receivable allowance is equal to 100 percent of the outstanding property taxes. No allowance for uncollectible accounts is considered for other receivables.

3. *Inventories and Prepaid Items.*

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Restricted Assets.*

Certain cash and receivables of the enterprise funds are classified as restricted assets on the balance sheet because their use is limited for purposes of servicing outstanding enterprise fund general obligation bonded debt.

5. *Capital Assets.*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. General infrastructure assets acquired prior to July 1, 2003, are not reported in the basic financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year \$0 of interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Land improvements	5-10
Machinery and equipment	5-15
Office furniture and equipment	5-20
Vehicles	3-25
Roads and sidewalks	15-25
Water and sewer systems	10-50

6. *Compensated Absences.*

City employees are entitled to certain compensated absences based on their length of employment. City employees earn vacation in varying amounts based on length of service. Unused vacation time does not accumulate past June 30 of each fiscal year.

Sick leave is accumulated at the rate of one day per month of employment. Unused sick leave accumulates from year to year to a maximum of 120 days of sick leave. No portion of unused sick leave is paid to employees at the time termination or retirement. It is the City's policy to recognize the cost of sick leave at the time payments are made.

7. Long-Term Obligations.

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

8. Fund Equity.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Property Taxes

Property taxes are levied on each July 1 (lien date and due date) on the taxable valuation of property as of the preceding December 31. Real and personal property taxes are collected without additional charge from a period of 45 days from the date the bills are due. After that period of time, three percent penalty and interest at one percent per month are added to all unpaid taxes. The city continues to collect taxes until March 1, at which time the delinquent real property taxes are returned to the county for collection. The county's policy has been to pay the city for all delinquent real property taxes returned. The city continues to collect delinquent personal property taxes.

The City's 2003 ad valorem tax is levied and collectible on July 1, 2003, and is recognized as revenue in the year ended June 30, 2004, when the proceeds of this levy are budgeted and made available for the financing of operations.

The 2003 taxable valuation of the city totaled \$101,977,989 excluding abated valuations, on which ad valorem taxes levied consisted of 13.0000 mills for operating purposes, .8884 mills for sewer debt purposes, and .5217 mills for water debt purposes. This resulted in \$999,907 (after adjustment for amounts captured by the DDA) for operating purposes, \$90,590 for sewer debt purposes, and \$53,195 for water debt purposes.

In addition the city's 2003 taxable valuation for abated property totaled \$25,919,008 on which taxes levied consisted of 6.50000 mills for operating purposes, .44420 mills for sewer debt purposes, and .26085 mills for water debt purposes. This resulted in \$204,062 (after adjustment for amounts captured by the DDA) for operating purposes, \$11,513 for sewer debt purposes, and \$6,761 for water debt purposes.

The above amounts are recognized in the General and Water Supply System Funds as tax revenue.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principle generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

State Construction Code Act – The city oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The city charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs.

The city accounts for the activity of its building inspection department within its general fund. Following is a summary of the cumulative deficit and activity for the year ended June 30, 2004:

Surplus (deficit) - July 1, 2003		\$ (16,956)
Charges for services	\$ 61,188	
Building inspection expenditures	<u>(47,776)</u>	<u>13,412</u>
Surplus (deficit) - June 30, 2004		<u>\$ (3,544)</u>

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The governing body has designated several banks for the deposit of city funds. The investment policy adopted by the city in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above.

The city's deposits and investment policy are in accordance with statutory authority.

At year-end, the city's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total	Component Unit
Cash and investments	\$ 998,779	\$ 695,036	\$ 17,820	\$ 1,711,635	\$ 43,809
Revenue bond covenant accounts	<u>-</u>	<u>81,790</u>	<u>-</u>	<u>81,790</u>	<u>-</u>
Total	<u>\$ 998,779</u>	<u>\$ 776,826</u>	<u>\$ 17,820</u>	<u>\$ 1,793,425</u>	<u>\$ 43,809</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Component Unit
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 1,088,228	\$ 948
Investments in Investment Pools	<u>705,197</u>	<u>42,861</u>
Total	<u>\$ 1,793,425</u>	<u>\$ 43,809</u>

The bank balance of the city's deposits is \$1,096,878 of which \$606,907 is covered by federal depository insurance and \$489,971 is uninsured and uncollateralized. The city believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the city evaluates each financial institution with which it deposits city funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the city or its agent in the city's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the city's name.
- (3) Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the city's name.

At year end, the City's investment balances totaled \$705,197 and were held in bank investment pools which are not subject to categorization because they are not evidenced by securities that exist in physical or book entry form.

At year end, the Component Unit's investment balances totaled \$42,861 and were held in bank investment pools which are not subject to categorization because they are not evidenced by securities that exist in physical or book entry form.

B. Receivables

Receivables as of year-end for the city's individual major funds, and non-major funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Major Street	Local Street	Water Supply System	Sewage Disposal System	Total
Receivables:						
Accounts	\$ -	\$ -	\$ -	\$ 85,587	\$ 73,649	\$ 159,236
Special assessments	-	3,274	-	19,874	9,961	33,109
Component unit	2,607	-	-	-	-	2,607
Intergovernmental	-	13,674	11,172	-	-	24,846
Gross receivables	2,607	16,948	11,172	105,461	83,610	219,798
Allowance for uncollectibles	-	-	-	-	-	-
Net Total Receivables	<u>\$ 2,607</u>	<u>\$ 16,948</u>	<u>\$ 11,172</u>	<u>\$ 105,461</u>	<u>\$ 83,610</u>	<u>\$ 219,798</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Special assessments	<u>\$ 3,274</u>	<u>\$ -</u>

C. Capital Assets

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital Assets Not Being Depreciated					
Land	\$ 130,051	\$ -	\$ -	\$ -	\$ 130,051
Construction in progress	3,990	-	-	(3,990)	-
Subtotal	134,041	-	-	(3,990)	130,051
Capital Assets Being Depreciated					
Building and improvements	1,097,715	89,851	-	3,990	1,191,556
Land improvements	1,234,876	-	-	-	1,234,876
Machinery and equipment	269,888	-	-	-	269,888
Office furniture and equipment	240,527	9,172	-	-	249,699
Vehicles	110,266	-	-	-	110,266
Equipment-Equipment Fund	474,407	-	(81,096)	-	393,311
Vehicles-Equipment Fund	436,949	-	(120,693)	-	316,256
Infrastructure	-	49,547	-	-	49,547
Subtotal	3,864,628	148,570	(201,789)	3,990	3,815,399
Less Accumulated Depreciation for					
Buildings and improvements	(280,997)	(33,070)	-	-	(314,067)
Land improvements	(795,504)	(80,616)	-	-	(876,120)
Machinery and equipment	(236,127)	(6,200)	-	-	(242,327)
Office furniture and equipment	(212,144)	(14,813)	-	-	(226,957)
Vehicles	(56,698)	(14,587)	-	-	(71,285)
Equipment-Equipment Fund	(339,809)	(43,365)	81,096	-	(302,078)
Vehicles-Equipment Fund	(285,469)	(45,078)	120,693	-	(209,854)
Infrastructure	-	-	-	-	-
Subtotal	(2,206,748)	(237,729)	201,789	-	(2,242,688)
Net Capital Assets Being Depreciated	1,657,880	(89,159)	-	3,990	1,572,711
Governmental Activities Total					
Capital Assets - Net of Depreciation	\$ 1,791,921	\$ (89,159)	\$ -	\$ -	\$ 1,702,762

Business-Type Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Completed Construction</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated					
Land	\$ 47,250	\$ -	\$ -	\$ -	\$ 47,250
Capital Assets Being Depreciated					
Water systems	\$ 4,417,492	\$ -	\$ -	\$ -	\$ 4,417,492
Sewage systems	5,675,684	-	-	-	5,675,684
Building	82,950	-	-	-	82,950
Machinery and equipment	19,258	-	-	-	19,258
Office furniture and equipment	28,693	-	-	-	28,693
Subtotal	10,224,077	-	-	-	10,224,077
Less Accumulated Depreciation for					
Water systems	(2,106,186)	(147,844)	-	-	(2,254,030)
Sewage systems	(2,396,815)	(109,678)	-	-	(2,506,493)
Building	(50,260)	(2,074)	-	-	(52,334)
Machinery and equipment	(18,151)	(681)	-	-	(18,832)
Office furniture and equipment	(28,550)	(24)	-	-	(28,574)
Subtotal	(4,599,962)	(260,301)	-	-	(4,860,263)
Net Capital Assets Being Depreciated	5,624,115	(260,301)	-	-	5,363,814
Business Type Activities Total					
Capital Assets - Net of Depreciation	\$ 5,671,365	\$ (260,301)	\$ -	\$ -	\$ 5,411,064

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General government	\$ 107,226
Public safety	23,750
Public works	10,428
Recreation and culture	7,882
Internal service fund depreciation is charged to the various functions based on their usage of the assets	- 88,443
Total Governmental Activities	\$ 237,729
Business-Type Activities	
Water supply	\$ 112,432
Sewage disposal	147,869
Total Business-Type Activities	\$ 260,301

Construction Commitments-The city had no construction projects or commitments as of June 30, 2004.

D. Interfund Receivables, Payables and Transfers

At June 30, 2004, there were no interfund balances. Interfund transfers reported in the funds statements were as follows:

Transfers In	Transfers Out					Total
	General Fund	Major Street Fund	Sewage Disposal System Fund	Internal Service Fund	(1)	
General Fund	\$ -	\$ -	\$ -	\$ 2,000	(1)	2,000
Major Street Fund	96,061	(2)	-	-	-	96,061
Local Street Fund	40,000	(2)	51,445	(3)	-	91,445
Community That Cares Fund	25,000	(2)	-	-	-	25,000
Budget Stabilization Fund	99,786	(4)	-	-	-	99,786
1989 LTGO Bonds Debt Fund	102,089	(5)	-	-	-	102,089
1995 Transportation Bonds Debt Fund	-	33,533	(5)	-	-	33,533
1995 LTGO Bonds Debt Fund	78,168	(5)	-	-	-	78,168
1998 Transportation Bonds Debt Fund	-	48,665	(5)	-	-	48,665
	<u>\$ 441,104</u>	<u>\$ 133,643</u>	<u>\$ -</u>	<u>\$ 2,000</u>		<u>\$ 576,747</u>

The following describes the nature of significant transfers:

- (1) Transfer to General Fund for general operating purposes
- (2) Transfers from General Fund for annual operating purposes
- (3) 25 percent transfer of gas and weight taxes as allowed by Act 51
- (4) Transfer from General Fund for special projects
- (5) Transfers from Major Street and General Funds for annual debt service requirements

F. Long-Term Debt

Bond and contractual obligation activity for the City can be summarized as follows:

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
General obligation bonds						
1995 Road Construction, interest rates from 5.0%-5.5%, maturing 2005	\$ 500,000	\$ 145,000	\$ -	\$ (70,000)	\$ 75,000	\$ 75,000
1989 Road construction, interest rates from 6.75%-6.9%, maturing 2009	990,000	445,000	-	(60,000)	385,000	65,000
Michigan transportation bonds						
1998 MTF, interest rates from 4.0%-5.0%, maturing 2014	500,000	400,000	-	(30,000)	370,000	30,000
1995 MTF, interest rates from 5.0%-7.0%, maturing 2005	210,000	60,000	-	(30,000)	30,000	30,000
Notes payable						
Valley Ridge Bank, interest rate of 4.85%, due 2003	78,225	8,945	-	(8,945)	-	-
Comerica Bank, interest rate of 4.95%, due 2006	52,715	33,030	-	(10,547)	22,483	11,006
Valley Ridge Bank, interest rate of 4.90%, due 2006	59,098	48,381	-	(11,247)	37,134	11,793
Valley Ridge Bank, interest rate of 4.75%, due 2007	168,515	141,303	-	(32,529)	108,774	33,495
Total Governmental Activities		<u>\$ 1,281,659</u>	<u>\$ -</u>	<u>\$ (253,268)</u>	<u>\$ 1,028,391</u>	<u>\$ 256,294</u>

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities						
Revenue Bonds						
1989 Sanitary Sewer Revenue, interest rates from 6.6% - 6.9%, maturing 2009	\$ 245,000	\$ 110,000	\$ -	\$ (15,000)	\$ 95,000	\$ 15,000
2001 Sewer System Revenue, interest rates from 4.0% - 5.3%, maturing 2021	700,000	675,000	-	(25,000)	650,000	25,000
County Contractual Obligation						
1978 Water Supply, interest rate of 5.0%, maturing 2018	1,175,000	805,000	-	(25,000)	780,000	30,000
Michigan Municipal Bond Authority						
1998 Drinking Water, interest rate of 2.5%, maturing 2014	746,618	620,000	-	(30,000)	590,000	30,000
Total Business-Type Activities		<u>\$ 2,210,000</u>	<u>\$ -</u>	<u>\$ (95,000)</u>	<u>\$ 2,115,000</u>	<u>\$ 100,000</u>

Bond and contractual obligation activity for the discretely presented component unit can be summarized as follows:

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Downtown Development Authority						
General obligation bonds						
1990 DDA, interest rate of 6.375%, maturing 2002	\$ 995,000	\$ 215,000	\$ -	\$ (105,000)	\$ 110,000	\$ 110,000
1998 DDA, interest rates from 4.1% - 5.0%, maturing 2014	1,000,000	805,000	-	(55,000)	750,000	60,000
1996 DDA, interest rates from 5.2% - 6.75%, maturing 2011	995,000	630,000	-	(65,000)	565,000	70,000
1994 DDA, interest rates from 6.0% - 6.5%, maturing 2004	300,000	75,000	-	(35,000)	40,000	40,000
1995 DDA, interest rates from 5.1% - 5.5%, maturing 2005	500,000	145,000	-	(70,000)	75,000	75,000
Total Governmental Activities		<u>\$ 1,870,000</u>	<u>\$ -</u>	<u>\$ (330,000)</u>	<u>\$ 1,540,000</u>	<u>\$ 355,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ended June 30	Governmental Activities		Business-Type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 256,293	\$ 56,568	\$ 100,000	\$ 89,793	\$ 355,000	\$ 80,567
2006	158,969	42,405	110,000	85,530	130,000	61,700
2007	154,796	33,500	115,000	80,670	140,000	55,140
2008	123,333	25,315	120,000	75,550	150,000	47,940
2009	125,000	17,880	135,000	69,945	155,000	40,115
2010-2014	210,000	31,730	660,000	266,758	610,000	82,250
2015-2019	-	-	720,000	114,917	-	-
2020-2021	-	-	155,000	12,575	-	-
Total	<u>\$ 1,028,391</u>	<u>\$ 207,398</u>	<u>\$ 2,115,000</u>	<u>\$ 795,738</u>	<u>\$ 1,540,000</u>	<u>\$ 367,712</u>

G. Restricted Assets

Restricted assets in the business-type activities are amounts required to be set aside for debt service by Sewage Disposal System Fund revenue bond covenants as follows:

Sewage disposal revenue bond covenant amounts	<u>\$ 81,790</u>
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NOTE 4. OTHER INFORMATION

A. Risk Management

The city is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The city has purchased commercial insurance for medical benefit claims. The city participates in the Michigan Municipal League risk pool for workers' compensation claims, general liability, and property loss. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool operates as a common risk-sharing program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

B. Deferred Compensation Plan

The city offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of the plan were held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted for any other use. The Administrators are the agents of the employer for the purpose of providing direction to the custodian of the custodial accounts from time to time for the investment of the funds held in the account, transfer of the assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the city's financial statements.

C. Pension

Plan Description – The City participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 447 N. Canal Rd., Lansing, MI 48917.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by the City Council and requires a contribution from the employees of 4 percent of gross wages for the year ended June 30, 2004.

Annual Pension Cost – For the year ended June 30, 2004, the City’s annual pension cost of \$5,441 for the plan was equal to the City’s required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent to 8.66 percent per year, and (c) 2.5 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of any given year’s variation from an 8 percent return over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
6/30/02	\$ -	100%	None
6/30/03	-	100%	None
6/30/04	5,441	100%	None

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UUAL as a Percentage of Covered Payroll [(b-a)/c]</u>
12/31/01	\$ 1,197,211	\$ 1,146,372	\$ (50,839)	104%	\$ 580,495	-9%
12/31/02	1,198,475	1,269,515	71,040	94%	667,136	11%
12/31/03	1,253,562	1,372,770	119,208	91%	674,263	18%

D. Change in Accounting Policy

In the year ended June 30, 2004, the city implemented GASB Statement No. 34 “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.” Statement No. 34 established new financial reporting requirements for all state and local governments and consists of the following:

Management’s discussion and analysis;

Basic Financial Statements

Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, including capital and infrastructure assets

Fund financial statements, consisting of a series of statements that focus on a government’s major governmental funds and enterprise funds;

Notes to the financial statements;

Required supplementary information, which requires budgetary comparison schedules to be presented.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The city has elected to implement the general provisions of the Statement, and to not implement the retroactive reporting of infrastructure in the current year.

**Required
Supplementary Information**

City of Coopersville
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Taxes	\$ 1,383,342	\$ 1,383,342	\$ 1,374,707	\$ (8,635)
Licenses and permits	29,000	29,000	61,188	32,188
State shared revenues	362,787	362,787	371,508	8,721
Charges for services	149,125	149,125	158,842	9,717
Fines and forfeits	6,995	6,995	12,825	5,830
Interest	10,500	10,500	13,232	2,732
Other	21,325	21,325	19,842	(1,483)
Total Revenues	<u>1,963,074</u>	<u>1,963,074</u>	<u>2,012,144</u>	<u>49,070</u>
Expenditures:				
Current:				
General Government:				
City Council	21,554	26,204	26,008	196
Manager	101,076	98,076	94,119	3,957
Elections	4,500	4,500	1,914	2,586
Assessor	22,400	23,707	23,205	502
Attorney	14,000	15,500	14,823	677
Clerk	78,623	61,373	57,321	4,052
Board of Review	1,050	1,260	1,258	2
Treasurer	95,255	82,843	80,351	2,492
Computer services	28,325	28,325	28,033	292
Building and grounds	140,880	131,190	121,050	10,140
Cemetery	11,000	11,000	11,000	-
Unallocated	-	-	-	-
Total General Government	<u>518,663</u>	<u>483,978</u>	<u>459,082</u>	<u>24,896</u>
Public Safety:				
Police	24,680	24,680	22,622	2,058
Sheriff	389,605	389,605	370,514	19,091
Fire department	77,500	77,500	77,500	-
Emergency unit	80,132	70,132	61,780	8,352
Building inspector	43,654	48,604	47,776	828
Civil defense	41,010	39,010	33,221	5,789
Total Public Safety	<u>656,581</u>	<u>649,531</u>	<u>613,413</u>	<u>36,118</u>
Public Works:				
Street lighting	33,500	37,475	36,970	505
Sanitation	88,800	83,800	83,028	772
Storm sewer	23,225	23,225	13,332	9,893
Highway street and bridges	5,000	3,000	-	3,000
Total Public Works	<u>150,525</u>	<u>147,500</u>	<u>133,330</u>	<u>14,170</u>

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
				Budget
Community and Economic Development				
Planning and zoning administration	<u>62,396</u>	<u>58,146</u>	<u>55,597</u>	<u>2,549</u>
Recreation and Culture:				
Parks	121,571	184,571	124,565	60,006
Recreation	89,392	89,392	86,253	3,139
Library	<u>23,815</u>	<u>23,815</u>	<u>23,815</u>	<u>-</u>
Total Recreation and Culture	<u>234,778</u>	<u>297,778</u>	<u>234,633</u>	<u>63,145</u>
Other:				
Insurance	<u>33,950</u>	<u>33,950</u>	<u>23,949</u>	<u>10,001</u>
Total Expenditures	<u>1,656,893</u>	<u>1,670,883</u>	<u>1,520,004</u>	<u>150,879</u>
Excess Of Revenues Over Expenditures	<u>306,181</u>	<u>292,191</u>	<u>492,140</u>	<u>199,949</u>
Other Financing Sources (Uses):				
Operating transfers in	85,000	85,000	2,000	(83,000)
Operating transfers out	<u>(358,915)</u>	<u>(343,915)</u>	<u>(441,104)</u>	<u>(97,189)</u>
Total Other Financing Sources (Uses)	<u>(273,915)</u>	<u>(258,915)</u>	<u>(439,104)</u>	<u>(180,189)</u>
Net Change in Fund Balances	32,266	33,276	53,036	19,760
Fund Balances - July 1	<u>525,834</u>	<u>525,834</u>	<u>525,834</u>	<u>-</u>
Fund Balances - June 30	<u>\$ 558,100</u>	<u>\$ 559,110</u>	<u>\$ 578,870</u>	<u>\$ 19,760</u>

City of Coopersville, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND
Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
State shared revenues	\$ 192,026	\$ 192,026	\$ 205,779	\$ 13,753
Interest	750	750	473	(277)
Other	1,922	1,922	6,441	4,519
Total Revenues	<u>194,698</u>	<u>194,698</u>	<u>212,693</u>	<u>17,995</u>
Expenditures:				
Current:				
Public Works:				
Construction	50,000	50,000	27,492	22,508
Surface maintenance	93,712	93,712	77,943	15,769
Winter maintenance	26,141	28,067	28,066	1
Administration	9,590	9,590	9,090	500
Total Public Works	<u>179,443</u>	<u>181,369</u>	<u>142,591</u>	<u>38,778</u>
Total Expenditures	<u>179,443</u>	<u>181,369</u>	<u>142,591</u>	<u>38,778</u>
Excess Of Revenues Over Expenditures	<u>15,255</u>	<u>13,329</u>	<u>70,102</u>	<u>56,773</u>
Other Financing Sources (Uses):				
Operating transfers in	120,000	110,000	96,061	(13,939)
Operating transfers out	(130,279)	(134,533)	(133,643)	890
Total Other Financing Sources (Uses):	<u>(10,279)</u>	<u>(24,533)</u>	<u>(37,582)</u>	<u>(13,049)</u>
Net Change in Fund Balances	4,976	(11,204)	32,520	43,724
Fund Balances - July 1	<u>38,050</u>	<u>38,050</u>	<u>38,050</u>	-
Fund Balances - June 30	<u>\$ 43,026</u>	<u>\$ 26,846</u>	<u>\$ 70,570</u>	<u>\$ 43,724</u>

City of Coopersville, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND
Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
State shared revenues	\$ 70,933	\$ 70,933	\$ 74,572	\$ 3,639
Interest	70	70	46	(24)
Other	-	-	7,200	7,200
Total Revenues	<u>71,003</u>	<u>71,003</u>	<u>81,818</u>	<u>10,815</u>
Expenditures:				
Current:				
Public Works:				
Construction	13,500	22,056	22,055	1
Surface maintenance	105,934	105,934	88,666	17,268
Winter maintenance	29,552	33,401	33,401	-
Administration	<u>9,950</u>	<u>9,950</u>	<u>9,450</u>	<u>500</u>
Total Public Works	<u>158,936</u>	<u>171,341</u>	<u>153,572</u>	<u>17,769</u>
Excess Of Revenues Over (Under) Expenditures	(87,933)	(100,338)	(71,754)	28,584
Other Financing Sources (Uses):				
Operating transfers in	<u>93,006</u>	<u>92,260</u>	<u>91,445</u>	<u>(815)</u>
Net Change in Fund Balances	5,073	(8,078)	19,691	27,769
Fund Balances - July 1	<u>15,488</u>	<u>15,488</u>	<u>15,488</u>	<u>-</u>
Fund Balances - June 30	<u>\$ 20,561</u>	<u>\$ 7,410</u>	<u>\$ 35,179</u>	<u>\$ 27,769</u>

City of Coopersville, Michigan
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2004

NOTE - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

Before June 30, the proposed budget is presented to the City's Council for review. The Council holds public hearings and a final budget must be prepared and adopted no later than June 30.

The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter total expenditures of any fund must be approved by City Council.

The appropriated budget is prepared by fund, function, and activity. Budgetary control over expenditures is exercised by the City Council. Appropriated budgets are amended by a majority vote of the City Council. The legal level of budgetary control is the activity level. The City Council made several supplemental budgetary appropriations throughout the year.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

B. Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the city incurred no expenditures in budgeted funds in excess of the amounts appropriated.

Supplemental Data

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

Debt Service Funds

Debt service funds account for resources accumulated and payment made for principal and interest on long-term general obligation debt of governmental funds.

Permanent Funds

The Permanent Fund is used to record the activity of the Cemetery Trust which provides funds for the perpetual care of cemetery lots.

City of Coopersville
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004

	Nonmajor Special Revenue Funds				
	Coopersville- Polkton Cemetery Authority	Community That Cares	Community Promotions	Budget Stabilization	Total
ASSETS					
Cash	<u>\$ 68,527</u>	<u>\$ 22,911</u>	<u>\$ 3,691</u>	<u>\$ 100,134</u>	<u>\$ 195,263</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 3,119	\$ -	\$ -	\$ 3,119
Fund Balances:					
Reserved:					
Debt service-nonexpendable	-	-	-	-	-
Perpetual care-nonexpendable	-	-	-	-	-
Unreserved-reported in:					
Special Revenue Funds	<u>68,527</u>	<u>19,792</u>	<u>3,691</u>	<u>100,134</u>	<u>192,144</u>
Total Fund Balances	<u>68,527</u>	<u>19,792</u>	<u>3,691</u>	<u>100,134</u>	<u>192,144</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 68,527</u>	<u>\$ 22,911</u>	<u>\$ 3,691</u>	<u>\$ 100,134</u>	<u>\$ 195,263</u>

Nonmajor Debt Service Funds						Permanent Fund	Total Nonmajor Governmental Funds
1989 LTGO Bonds Debt Service	1991 LTGO Bonds Debt Service	1995 Transportation Bonds Debt Service	1995 LTGO Bonds Debt Service	1998 Transportation Bonds Debt Service	Total	Cemetery Trust	
<u>\$ 12,052</u>	<u>\$ 1,116</u>	<u>\$ 153</u>	<u>\$ 245</u>	<u>\$ 2,162</u>	<u>\$ 15,728</u>	<u>\$ 6,000</u>	<u>\$ 216,991</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,119
12,052	1,116	153	245	2,162	15,728	-	15,728
-	-	-	-	-	-	6,000	6,000
-	-	-	-	-	-	-	192,144
<u>12,052</u>	<u>1,116</u>	<u>153</u>	<u>245</u>	<u>2,162</u>	<u>15,728</u>	<u>6,000</u>	<u>213,872</u>
<u>\$ 12,052</u>	<u>\$ 1,116</u>	<u>\$ 153</u>	<u>\$ 245</u>	<u>\$ 2,162</u>	<u>\$ 15,728</u>	<u>\$ 6,000</u>	<u>\$ 216,991</u>

City of Coopersville
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	Nonmajor Special Revenue Funds				
	Coopersville- Polkton Cemetery Authority	Community That Cares	Community Promotions	Budget Stabilization	Total
Revenues:					
Local unit contributions	\$ 22,000	\$ 42,000	\$ -	\$ -	\$ 64,000
Charges for services	13,550	-	2,552	-	16,102
Interest and rent	356	87	16	348	807
Other	-	26,475	2,945	-	29,420
Total Revenues	<u>35,906</u>	<u>68,562</u>	<u>5,513</u>	<u>348</u>	<u>110,329</u>
Expenditures:					
Current:					
General government	33,997	-	-	-	33,997
Public works	-	92,365	-	-	92,365
Recreation and culture	-	-	3,523	-	3,523
Debt service:	-	-	-	-	-
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>33,997</u>	<u>92,365</u>	<u>3,523</u>	<u>-</u>	<u>129,885</u>
Excess of Revenues Over (Under) Expenditures	1,909	(23,803)	1,990	348	(19,556)
Other Financing Sources:					
Operating transfers in	-	25,000	-	99,786	124,786
Net Change in Fund Balances	1,909	1,197	1,990	100,134	105,230
Fund Balances - July 1	<u>66,618</u>	<u>18,595</u>	<u>1,701</u>	<u>-</u>	<u>86,914</u>
Fund Balances - June 30	<u>\$ 68,527</u>	<u>\$ 19,792</u>	<u>\$ 3,691</u>	<u>\$ 100,134</u>	<u>\$ 192,144</u>

Nonmajor Debt Service Funds						Permanent Fund	Total Nonmajor Governmental Funds
1989 LTGO Bonds Debt Service	1991 LTGO Bonds Debt Service	1995 Transportation Bonds Debt Service	1995 LTGO Bonds Debt Service	1998 Transportation Bonds Debt Service	Total	Cemetery Trust	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,000
-	-	-	-	-	-	-	16,102
8	7	3	4	18	40	400	1,247
-	-	-	-	-	-	-	29,420
8	7	3	4	18	40	400	110,769
-	-	-	-	-	-	-	33,997
-	-	-	-	-	-	-	92,365
-	-	-	-	-	-	-	3,523
60,000	-	30,000	70,000	30,000	190,000	-	190,000
30,660	-	3,533	8,168	18,665	61,026	-	61,026
90,660	-	33,533	78,168	48,665	251,026	-	380,911
(90,652)	7	(33,530)	(78,164)	(48,647)	(250,986)	400	(270,142)
102,089	-	33,533	78,168	48,665	262,455	-	387,241
11,437	7	3	4	18	11,469	400	117,099
615	1,109	150	241	2,144	4,259	5,600	96,773
<u>\$ 12,052</u>	<u>\$ 1,116</u>	<u>\$ 153</u>	<u>\$ 245</u>	<u>\$ 2,162</u>	<u>\$ 15,728</u>	<u>\$ 6,000</u>	<u>\$ 213,872</u>

Supplemental Data

Discretely Presented Component Unit

General Fund

The General Fund is the Downtown Development Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

Debt Service Funds

Debt service funds of the Downtown Development Authority account for resources accumulated and payment made for principal and interest on long-term debt of the Authority.

City of Coopersville
 COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
 COMBINING BALANCE SHEET
 June 30, 2004

ASSETS	General	1990 DDA Debt Fund	1994 DDA Debt Fund	1995 DDA Debt Fund	1996 DDA Debt Fund	1998 DDA Debt Fund	Totals
Cash and investments	\$ 26,698	\$ 3,136	\$ 1,043	\$ 264	\$ -	\$ 12,668	\$ 43,809
Assessments receivable	-	-	-	-	-	83	83
TOTAL ASSETS	\$ 26,698	\$ 3,136	\$ 1,043	\$ 264	\$ -	\$ 12,751	\$ 43,892
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 190	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 190
Deferred revenue	-	-	-	-	-	83	83
Due to other funds	-	2,007	600	-	-	-	2,607
Total Liabilities	190	2,007	600	-	-	83	2,880
Fund Balances:							
Reserved for debt service	-	1,129	443	264	-	12,668	14,504
Unreserved	26,508	-	-	-	-	-	26,508
Total fund balances	26,508	1,129	443	264	-	12,668	41,012
TOTAL LIABILITIES AND FUND BALANCES	\$ 26,698	\$ 3,136	\$ 1,043	\$ 264	\$ -	\$ 12,751	

Amounts reported for the Component Unit in the statement of net assets are different because:

Interest accrued on outstanding bonds payable is not reported in the funds	(14,196)
Long term liabilities are not due and payable in the current period and are not reported in the funds	(1,540,000)
Net Assets (Deficit) of the Component Unit	\$ (1,513,184)

City of Coopersville
 COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 Year Ended June 30, 2004

	General	1990 DDA Debt Fund	1994 DDA Debt Fund	1995 DDA Debt Fund	1996 DDA Debt Fund	1998 DDA Debt Fund	Totals
Revenues:							
Taxes	\$ 399,000	\$ 118,687	\$ 38,703	\$ -	\$ -	\$ -	\$ 556,390
Charges for services	11,236	-	-	-	-	-	11,236
Interest	1,610	138	15	10	-	256	2,029
Other	-	-	-	-	-	2,822	2,822
Total Revenues	<u>411,846</u>	<u>118,825</u>	<u>38,718</u>	<u>10</u>	<u>-</u>	<u>3,078</u>	<u>572,477</u>
Expenditures:							
Current:							
Community and economic development	120,573	-	-	-	-	-	120,573
Debt Service:							
Principal retirement	-	105,000	35,000	70,000	65,000	55,000	330,000
Interest and fiscal charges	-	13,822	3,703	8,168	36,573	37,930	100,196
Total Expenditures	<u>120,573</u>	<u>118,822</u>	<u>38,703</u>	<u>78,168</u>	<u>101,573</u>	<u>92,930</u>	<u>550,769</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>291,273</u>	<u>3</u>	<u>15</u>	<u>(78,158)</u>	<u>(101,573)</u>	<u>(89,852)</u>	<u>21,708</u>
Other Financing Sources (Uses):							
Operating transfers in	-	-	-	78,168	101,573	92,930	272,671
Operating transfers out	<u>(272,671)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(272,671)</u>
Total Other Financing Sources (Uses)	<u>(272,671)</u>	<u>-</u>	<u>-</u>	<u>78,168</u>	<u>101,573</u>	<u>92,930</u>	<u>-</u>
Net Change in Fund Balances	18,602	3	15	10	-	3,078	21,708
Fund Balances, July 1	<u>7,906</u>	<u>1,126</u>	<u>428</u>	<u>254</u>	<u>-</u>	<u>9,590</u>	
Fund Balances, June 30	<u>\$ 26,508</u>	<u>\$ 1,129</u>	<u>\$ 443</u>	<u>\$ 264</u>	<u>\$ -</u>	<u>\$ 12,668</u>	

Amounts reported for the Component Unit's activities in the statement of activities are different because:

In the statement of activities, interest is accrued on outstanding bonds payable, whereas in governmental funds, an interest expenditure is reported when due 3,628

Repayments of bonds payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets 330,000

Change in Net Assets of the Component Unit \$ 355,336